

QUT Digital Repository:
<http://eprints.qut.edu.au/>



Saleh, Md Abu and Ali, Yunus (2007) Importer Trust and Commitment Building Process: Qualitative Insights from LDC Perspective. In Thyne, Maree and Deans, Kenneth R. and Gnoth, Juergen, Eds. *Proceedings Australian and New Zealand Marketing Academy (ANZMAC) Conference 2007*, pages pp. 1244-1251, University of Otago, Dunedin, New Zealand.

© Copyright 2007 (please consult author)

Importer Trust and Commitment Building Process: Qualitative Insights from LDC Perspective

Md. Abu Saleh, M Yunus Ali Queensland University of Technology, Brisbane, Australia

Abstract

The trust and commitment building process in the international exchange is inconclusive in the academic literature. Debate is on about the nature and extent of some factors in that process. This study contributes to an understanding of the process with rich data gathered from in-depth interviews with top managers of twelve industrial and commercial importers in Bangladesh. Analyses revealed a perplexing picture where some of the findings affirmed the theoretical assertions but others disconfirmed them with new insights. Finally, implications and limitations are discussed and future research directions are recommended.

Introduction

While there are different schools of thought in international business literature on the effect of trust and commitment, their building process as well as consequential effect is still inconclusive. A preliminary review also reveals that knowledge and experience gathering as well as trust and commitment building processes are grossly unexplored in the theoretical side, especially from import dependent developing country perspective. Most developing nations rely on imports for industrial development and satisfy consumer needs. Since importers provide required services to develop and maintain export market for exporting firms, an understanding of importers' commitment behavior is important for exporters to gain relative advantage in the export market and also important for importers to maintain long-term relationship for import success (Kim and Oh, 2002). Therefore, this study tries to answer the question of drivers of trust and commitment and how do they interact each other in importer supplier relationship context. An exploratory qualitative research design was used to understand the trust and commitment building process.

Literature Review and Tentative Research Model

Cultural similarity removes any cultural barriers in communication and exchange; and that achieves a greater degree of closeness in understanding and relationships (Swift, 1999). This is due to similarity of language, level of education, business and cultural practices, and communication style. The theoretical inference has already been used to show that the transactions between culturally similar firms/markets reduce transaction costs and strengthen relationships between partners (Amelung, 1994). It is, however, posited in the internationalisation process literature that exporting firms initially target culturally similar markets to learn and gain knowledge and experience through better communication and understanding toward building commitment in their relationships (Johanson and Vahlne, 1977; Johanson and Wiedersheim-Paul, 1975; Vahlne and Wiedersheim-Paul, 1977). Researchers argue that entering countries that are culturally close reduces the level of uncertainty in the new market and makes it easier for firms to communicate freely and learn from each other quickly (Kogut and Singh, 1988; O'Grady and Lane, 1996). This indicates

that similar business practices and values are the impetus toward building trust between transacting parties through easy communication and quick learning and knowledge generating process.

Economic history researchers (e.g., Boyce, 2001; 2003) explored and examined Williamson's concept of 'communicating economies' (1985, p. 62) to comprehend the cognitive framework in reducing transaction cost through communication, learning, knowledge and the trust building process. Further, Boyce (2003) argues that an effective communication process enforces and facilitates the exchange of information, which can be conveyed explicitly through close interpersonal communication methods such as face-to-face conversation. The communication process enhances learning and facilitates the knowledge acquisition process in generating trust and commitment in the exchange relationships for all parties' mutual advantages.

While noting the mediating role of learning, knowledge-experience and trust in the commitment building process, it is important to draw attention to the extant commitment studies. An extensive review of the extant literature revealed that nine quantitative studies (Coote, Forrest, and Tam, 2003; Kwon and Suh, 2004; Moore, 1998; Morgan and Hunt, 1994; Rodríguez and Wilson, 2002; Ruyter, Moorman, and Lemmink, 2001; Siguaw, Simpson, and Baker, 1998; Walter and Ritter, 2003; Zineldin and Jonsson, 2000) so far used trust as a mediator of commitment where seven of these studies found significant support. However, a recent study raised a very basic question whether commitment leads to build trust or trust leads to build commitment (Choi, 2004). This lack of consistency in the extant literature warrants further exploration. Therefore, as depicted in Figure 1, a tentative conceptual model has been proposed for further exploration of the commitment building process through an exploratory study.

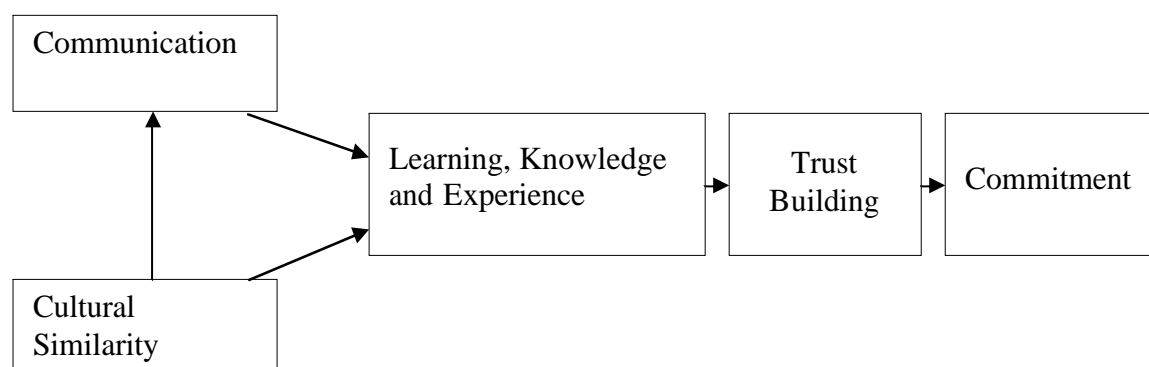


Figure 1: A Framework for Trust and Commitment Building Process

The model exhibits that while cultural similarity facilitates communication, both communication and cultural similarity enhance the learning and knowledge generation process toward facilitating the trust building process. This ultimately influences the parties' commitment in the buyer-seller relationship specifically importer's commitment to an import supplier. Based on the above arguments, conceptual links are proposed to complement the conceptual model of this study. These conceptual links are examined with the qualitative information collected from the importers of Bangladesh as one of the developing countries.

Research Design and Sample

As this research looks at the impact of cultural similarity and communication in the trust and commitment building process, importing firms involved with import from countries with similar and dissimilar cultures were considered as a major criterion of selecting a sample to facilitate comparability. A screening question asked the participating informant whether the major import supplier was from a culturally similar or dissimilar country market. A follow up question revealed that while the neighbouring India, Pakistan and Myanmar were considered culturally close markets, Malaysia was also considered culturally similar in terms of similar work ethics, food habits, negotiation style and religious consideration. On that basis, Australia, China, USA, UK and Singapore were considered by informants as culturally dissimilar supply markets. Also at least two years importing relationship with the major import supplier was adopted so that respondents had enough time to assess the relationship building process. Twelve commercial and industrial importers in Bangladesh were included in the sample for variability and sample representation. A key informant in a selected importing firm was interviewed about importing relationship of the firm with the major import supplier. Therefore, an importing relationship of the firm was the unit of analysis rather than the firm. For clarity of classification, cases are categorised according to their category classification code in Table 1.

Table 1
Categorisation of Cases

Category Code	Category Description	Case Identification Code
IS ₁	Commercial importer for local market	C1, C2, C3
IS ₂	Industrial importer as distributor	C4, C5
IS ₃	Both commercial and industrial importer	C6, C7
IS ₄	Importer cum industrial user	C8, C9
IS ₅	Industrial user for export market	C10, C11, C12

Instrument Development, Data Collection and Analysis

There are many qualitative data collection techniques but this study used in-depth interviews with a set of research protocol. The protocol was developed with the help of allied academics and utilised as a guide to obtain rich data from the relevant sources (Carter, 1999) where questions related to the issue of research lead to a series of follow-up questions. Every interview was recorded with permission except one and transcripts were used for cross case analysis. The analysis for this study explores the perceived mechanisms and dynamics of cultural similarity toward facilitating communication and learning, communication toward learning and the knowledge generation process, as well as the trust and commitment building process. The analytical approach presents the causal story and respondents' comments on the determinants (Luna-Reyes and Andersen, 2003). Cross-case analysis was used for comparison and contrast between cases (Patton, 1990) as presented in Table 2.

Table 2
Summary Report of Cross-Case Analysis based on Codes

Variables and Emerged Paths			Code IS ₁	Code IS ₂	Code IS ₃	Code IS ₄	Code IS ₅	Comments
CULSIM	← →	COMUN	C1	C5	C7			Not Expected
CULSIM	→	COMUN	C2	C4	C6	C8, C9	C12	Expected
CULSIM	→	LEKNEX	C1, C2	C4, C5	C6, C7	C9	C12	Expected
CULSIM	→	TRUST		C4	C6			Not Expected
COMUN	→	LEKNEX	C1, C2, C3	C4, C5	C6, C7	C8, C9	C10, C11, C12	Expected
COMUN	→	TRUST		C4	C6, C7	C9		Not Expected
COMUN	→	COMMIT		C5			C12	Not Expected
LEKNEX	→	TRUST	C1	C4	C6, C7		C11	Expected
LEKNEX	→	COMMIT	C2, C3	C5		C8, C9	C10, C12	Not Expected
TRUST	→	COMMIT	C1	C4	C6, C7		C11	Expected
COMMIT	→	TRUST	C2, C3	C5		C8, C9	C10, C12	Not Expected

Legend: CULSIM = Cultural Similarity, COMMUN = Communication, LEKNEX = Learning and Knowledge and Experience, TRUST = Trust, and COMMIT = Commitment

Major Findings and Implications

The major findings of the cross case analysis are synthesised in this section (in Table 2) by combining the emergent qualitative reasoning and by using symbolic identification of cases and codes in summary form. In terms of the effect of cultural similarity on communication in the importer supplier relationship, 50% of cases (cases 2, 4, 6, 8, 9 and 12) representing all categories appear to suggest that culture is a supportive factor for not only easing communication but also for directly influencing it. However, three cases (cases 1, 5 and 7) show a counter-effect of communication that helps the firms to understand each other. These three cases suggest that more frequent direct and indirect communication can help to reduce cultural barriers and maintain long-term relationships. By contrast, respondents of remaining three cases (cases 3, 10 and 11) rejected any effect of cultural similarity on communication or as a major issue in the import supply relationship. These respondents indicate that they are experienced enough to communicate business issues in different cultures without any intricacy. Two-third of the cases (cases 1, 2, 4, 5, 6, 7, 9 and 12) representing all categories of importers supported the expectation that cultural similarity is a facilitating tool for learning as well as knowledge and experience gathering. Interestingly enough, the respondents from two firms (cases 4 and 6) perceived also a direct impact of cultural similarity on the importer trust in addition to its indirect effect through knowledge gathering. In contrast, respondents of four other cases (3, 8, 10 and 11) found cultural similarity as a significant issue in international business in assisting the learning and knowledge gathering process.

The theoretical assertion on the effect of importer-supplier communication on the learning and knowledge-experience gathering process received unanimous support and endorsement from all cases. Added to these, four of these cases (cases 4, 6, 7 and 9) acknowledged direct effect communication on trust; and two other cases (5 and 12) suggested its direct effect on importer commitment.

In terms of the effect of learning and knowledge-experience, respondents are divided into two groups. While only five cases (1, 4, 6, 7 and 11) approved the theoretical expectation that learning and knowledge building process has a direct influence on increasing trust, majority of the cases (2, 3, 5, 8, 9, 10 and 12) rejected that expectation. To these majority informants, trust is the outcome of commitment, and commitment is developed through the proximal communication between parties that facilitates learning and knowledge building, and

maintaining the relationship with the major supplier. As these cases explicitly suggest, commitment strongly mediates the effect of knowledge and experience on trust building in the continuing relationship. In this respect, it should be noted that the finding of case 8 appears to reveal an exceptional insight in terms of commitment to the supplier when it comes to the quality of the products. The firm was reluctant to continue with a single source throughout the year because of seasonal quality variation of the import items. This is congenial with the Mirjam *et al.*'s (2006) argument which suggests that perceived quality of the products are the insurance in the active relationship frame even when the supplier is untrustworthy. Notwithstanding, the firm maintains commitment and a long-term relationship with the major supplier on the basis of mutual understanding. Similarly, cases 9, 10 and 12 suggest that communication helps firms to learn and gather experience toward developing commitment, confidence, and, ultimately trust. Informants of the seven cases also maintain trust as an outcome of commitment that support Choi's (2004) position.

Overall, it is revealed from the above discussion that the knowledge and experience gathering process in the importer-supplier relationship is mostly facilitated by cultural similarity. However, as it was expected and emphasised, this process is supported completely by communication between the importer and supplier in both similar and dissimilar cultures. These lend support to the O'Grady's (1996) argument that entering culturally similar markets reduces the level of uncertainty in that market and make it easier for firms to communicate proximally, freely and to learn quickly from each other (Kogut and Singh, 1988). In addition, most of the cases focus on the learning and knowledge development process by direct and indirect interaction, formal and informal training and development of professional ethos which support the arguments drawn from the business history literature (Boyce, 2001). Moreover, beyond expectation, the commitment building process is enhanced mostly by the knowledge and experience and partially by the trust of the supplier.

Conclusion, Limitations and Future Research Direction

The major findings are integrated in Table 2 by combining emerged qualitative reasoning and by using symbolic identification of cases and codes in summary form. The direct and indirect flow and interactions evidenced in Figure 2 show how conceptual inferences are developed in practice in the importer-supplier relationship. As the perceptions of the key informants indicated, there is no unanimous support for the theoretical arguments in the proposed trust and commitment building process. For example, the summarised cross-case analysis reveals that three cases (C1, C5, and C7) even suggested that cultural similarity is reversely influenced by communication towards reducing cultural impediment. These firms are importing from cross-cultural markets and are experienced enough in abating cultural obstructions through greater communication. This means that effective and frequent communication in the importer-supplier relationship reduces cultural barriers and strengthens the relationships in dissimilar cultures through cultural understanding.

Apart from these findings, it is found that cultural similarity directly and indirectly (through knowledge and experience) influence the trust building process. Referring to the impact of communication on learning and knowledge building, the findings are consistent across cases to support the theoretical reasoning. However, the direct effects of communication on trust and on commitment are also revealed by half of the informants. The effects of learning and knowledge are diverted into two directions: trust and commitment, which partly deviate from the proposed model. While informants of five cases support the proposed learning, knowledge & experience → trust → commitment relationship, respondents of seven cases argued for the

→ →

learning, knowledge & experience commitment trust relationship. The overall results and revealed path directions are shown in the following modified qualitative model in Figure 2.

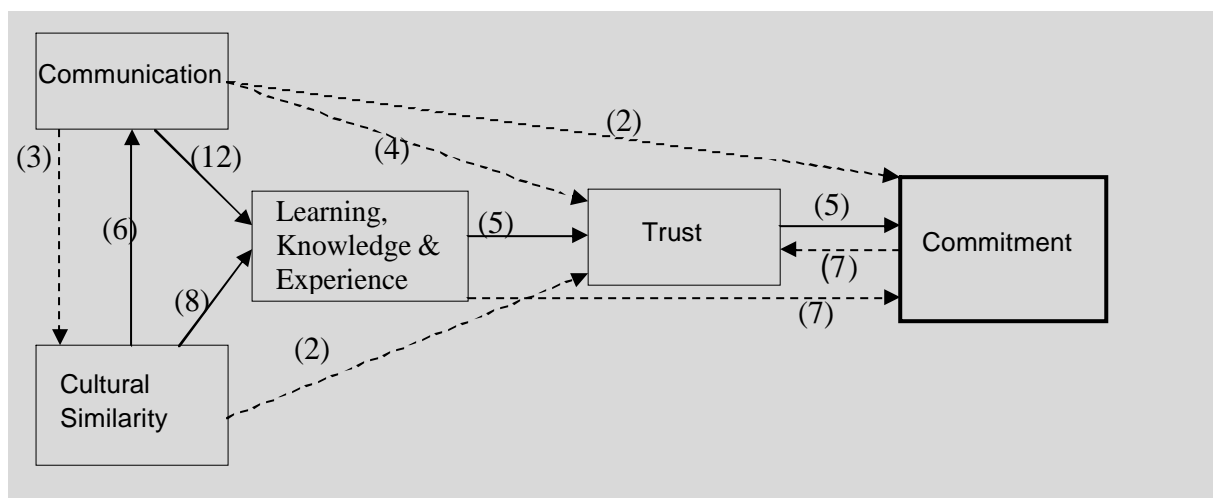


Figure 2: Modified Qualitative Model Based on In-depth Data: Trust and Commitment Building Process

Path legend: —► Predicted paths --► Derived new paths. Numbers in parentheses indicate the number of cases support the path.

It can be concluded from the above discussion that cultural similarity facilitates communication, the learning and knowledge building process, and also trust. Similarly, communication enhances the learning and knowledge generation process toward facilitating trust and commitment directly and indirectly. Importers' knowledge and experience ultimately influences their trust and commitment to an import supplier. Finally, the qualitative findings revealed that trust and commitment are interrelated factors that interact with each other and are perceived differently by different key informants. For example, C1 noted that:

At early stage of our relationship, I have tested my supplier's trustworthiness on the basis of reliability of the product, sincerity and his promises, now I am committed to him.

However, the respondent of C3 has a different perception and said:

Although commitment and trust are complementary words in business relationship, I think commitment ties up the buyer and seller in the long-term relationship by doing some works together then trust is build up.

The perplexing perception on the causation of trust and commitment implicates that there is an obvious alternative where commitment leads to building trust (Choi, 2004; Zineldin and Jonsson, 2000). Therefore, it is revealed that the qualitative model is only partially reinforced and complements the theoretical arguments that appear valid and reliable.

While the integrated perception of the above selective importers provides fresh slant unfolding insight of the investigated phenomena, the limited number of participants may limit the generalisability of the study. The contrasted observation of importers on trust and commitment development process needs further validation with inclusive of variant of sample representations from developing and developed countries. Emphasising on the development of importer-supplier long-term business relationship might provide some hints for resolving such dilemma on which causes what.

References

- Amelung, T., 1994. The Impact of Transaction Costs on Trade Flows in the Asia-Pacific, in Garnaut, R. and Drysdale, P. (eds), *Asia-Pacific Regionalism - Readings in International Economic Relations*. Harper Collins: Sydney.
- Boyce, G.H., 2001. *Co-operative Structures in Global Business: Communicating, Transferring Knowledge and Learning Across the Corporate Frontier*, Routledge, London and New York.
- Boyce, G.H., 2003. Network Knowledge and Network Routines: Negotiation Activities between Shipowners and Shipbuilders, *Business History* 45 (2), 52-76.
- Carter, S., 1999. Anatomy of a Qualitative Management PhD. Part One - Getting Started, *Management Research News* 22 (11), 9-22.
- Choi, Y.-T., 2004. Alliance Coordination Effectiveness and the Performance of International Strategic Alliances: Development of the Partnership and Moderating Role of Market Environment Turbulence. Unpublished PhD Thesis, Texas A&M University, Texas.
- Coote, L.V., Forrest, E.J., Tam, T.W., 2003. An Investigation into Commitment in Non-Western Industrial Marketing Relationships, *Industrial Marketing Management* 32 (7), 595-604.
- Johanson, J., Vahlne, J.-E., 1977. The Internationalization Process of the Firm: A Model of Knowledge Development and Increasing Foreign Commitments, *Journal of International Business Studies* 8 (1), 23-32.
- Johanson, J., Wiedersheim-Paul., 1975. The Internationalization of the Firm - Four Swedish Cases, *Journal of Management Studies* 12 (3), 305-322.
- Kim, K., Oh, C., 2002. On Distributor Commitment in Marketing Channels for Industrial Products: Contrast between the United States and Japan, *Journal of International Marketing* 10 (1), 72-97.
- Kogut, B., Singh, H., 1988. The Effect of National Culture on the Choice of Entry Mode, *Journal of International Business Studies* 19 (3), 411-432.
- Kwon, I.G., Suh, T., 2004. Factors Affecting the Level of Trust and Commitment in Supply Chain Relationships, *Journal of Supply Chain Management* 40 (2), 4-14.
- Luna-Reyes, L.F., Andersen, D.L., 2003. Collecting and Analyzing Qualitative Data for System Dynamics: Methods and Models, *System Dynamics Review* 19 (4), 271-296.
- Mirjam, T., Ale, S., Peeter, V., Daniel, W., 2006. I Don't Trust You, But I Buy What You're Saying. Paper presented at European Marketing Academy Conference, 23 - 26 May, Athens, Greece.
- Moore, K.R., 1998. Trust and Relationship Commitment in Logistics Alliances: A Buyer Perspective, *International Journal of Purchasing and Materials Management* 34 (1), 24-37.

Morgan, R.M., Hunt, S.D., 1994. The Commitment-Trust Theory of Relationship Marketing, *Journal of Marketing* 58 (3): 20-38.

O'Grady, S., Lane, H.W., 1996. The Psychic Distance Paradox, *Journal of International Business Studies* 27 (2), 309-333.

Patton, M.Q., 1990. *Qualitative Evaluation and Research Methods*. Sage Publications: Newbury Park, California.

Rodríguez, C.M., Wilson, D.T., 2002. Relationship Bonding and Trust as a Foundation for Commitment in U.S.-Mexican Strategic Alliances: A Structural Equation Modeling Approach, *Journal of International Marketing* 10 (4), 53-76.

Ruyter, K. de, Moorman, L., Lemmink, J., 2001. Antecedents of Commitment and Trust in Customer-Supplier Relationships in High Technology Markets, *Industrial Marketing Management* 30, 271-286.

Siguaw, J.A., Simpson, P.M., Baker, T.L., 1998. Effects of Supplier Market Orientation on Distributor Market Orientation and the Channel Relationship: The Distributor Perspective, *Journal of Marketing* 62 (3), 99-111.

Swift, J.S., 1999. Cultural Closeness as a Facet of Cultural Affinity: A Contribution to the Theory of Psychic Distance, *International Marketing Review* 16 (3), 182-201.

Vahlne, J-E., Wiedersheim-Paul, F., 1977. *Psychic Distance - An Inhibiting factor in International Trade*, Working Paper No. 1977/2. Sweden: Department of Business Administration, University of Uppsala.

Walter, A., Ritter, T., 2003. The Influence of Adaptations, Trust, and Commitment on Value-Creating Functions of Customer Relationships, *Journal of Business & Industrial Marketing* 18 (4/5), 353-365.

Williamson, O.E. 1985. *The Economic Institutions of Capitalism*. The Free Press: New York.

World Bank., 2000. *World Tables*. The Johns Hopkins University Press: Baltimore, MD.

Zineldin, M., Jonsson, P., 2000. An Examination of the Main Factors Affecting Trust/Commitment in Supplier-Dealer Relationships: An Empirical Study of the Swedish Wood Industry, *The TQM Magazine* 12 (4), 245-265.